Assessing Hermès' Brand Management Capabilities

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Abstract. Branding has increasingly become mandatory for corporate boards in the field of corporate marketing. The value of a company's branding has a direct impact on the value creation and economic benefits of the organisation. Excellent brand management can effectively enhance a company's market value and contribute to its growth. The purpose of this research is to assess the brand management capabilities of the luxury brand Hermes, which can determine whether the brand value of the company can enhance the value of the company. This paper will use the Brand Dynamics Pyramid Model as a tool to assess the brand management capabilities of Hermès, which can be evaluated in five stages.

Keywords-brand management; Brand Dynamics Pyramid; luxury brands; consumer behaviour

1. INTRODUCTION

In a rapidly changing business environment, branding is an important factor influencing a company's success. Branding has evolved from an optional feature of corporate marketing to a mandatory part of the corporate boardroom over decades [1]. Casado-Molina et al. (2020) [2] mention that the brand value shaped by a company has a direct impact on the value creation and economic benefits of the organisation. Good brand management can help a company grow and contribute to significant company market value in all aspects. Its importance has been well documented by previous authors in various marketing literature. The purpose of this essay is to assess Hermes' brand management capabilities, which reflect whether the brand values portrayed by the company can achieve enhanced corporate value. The first section of this essay will introduce the purpose of the essay, a brief history of Hermès, and the essay's structure. The second section is a literature review that will describe the Brand Dynamics Pyramid Model that will be used in this essay and will draw on previous research to demonstrate that brand management is a complex process. The third section gives some background on Hermes. The fourth section is the methodology, which explains how the author completed the essay using secondary sources to illustrate the power of research. The fifth section is findings, which employs the Brand Dynamics Pyramid Model to assess Hermès' brand management capabilities and delves into the model's factors in depth. The sixth

section contains recommendations for the future of Hermès, and the final two sections are references and appendices.

2. LITERATURE REVIEW RELATED TO BRAND MANAGEMENT

Research on branding has grown rich in the last two decades. Early scholars defined branding as the purpose of a business because developing a brand generates long-term and extremely profitable sales [3]. However, the godfather of advertising, David Ogilvy, was quick to dismiss this notion and clarify that the purpose of business is 'selling.' Branding is a means to achieve sales, and branding is a result of sales. Firms can understand the value of brand management by understanding how brands help them sell. The next sections are based on Fig.1.

Brands serve three primary functions: increasing recognition, credit protection, and creating a premium. The market is currently extremely competitive in all industries, which has resulted in products becoming increasingly similar to one another. In this context, customer demand for brands is increasing [4]. Branding provides the function of identification, which can assist businesses in differentiating their products from competitors. The second major role of branding is to provide consumers with quality assurance. According to Shahid and Zafar (2021), the greater the influence of a brand, the higher the firm's social credit cost. Firms with a strong brand reputation can suffer greatly if there is negative news about the organization's products. The presence of a brand is objectively a constraint and a wake-up call for most businesses seeking long-term growth, warning them to value quality and consumers. The brand's corporate credit guarantee can also be viewed as an intangible social contract between the consumer and the corporation [5]. This type of contract is similar to the "psychological contract" used in human resources. A psychological contract is an unspoken agreement between two parties that provides employees with a sense of security and belonging [6]. The construction of a brand can also give consumers a sense of trust in the quality. Breaking the contract between the company and the consumer can have serious consequences. The brand will lose its value of existence because the consumer loses trust and confidence in the quality of the firm's products. Companies must not only differentiate themselves from competitors and provide credit guarantees to increase sales, but they must also realise the brand's excess profit. Diallo et al. (2021) mention that the premium role of brands not only brings emotional and spiritual recognition to customers, but also a sense of satisfaction and aesthetic enjoyment. The question of how companies should manage their brands to maximise the role of the brand becomes a major challenge.
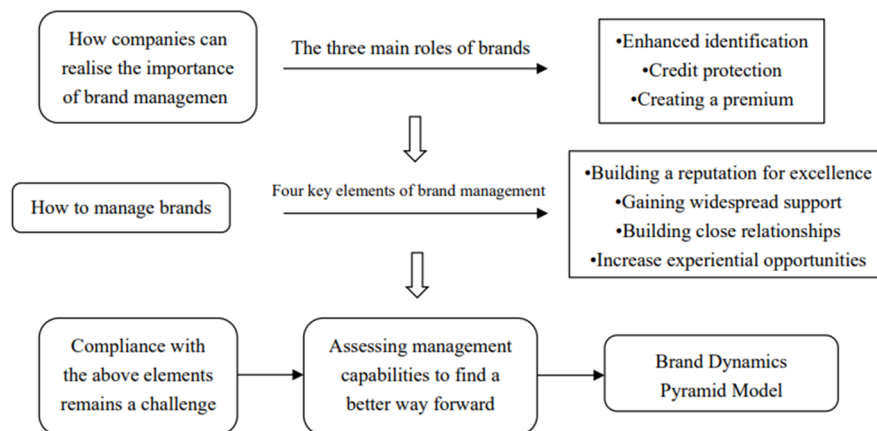
Figure 1. The importance of brand management

Building a reputation for excellence, gaining widespread support, developing close relationships, and expanding opportunities for hands-on experience are the four key elements of brand management [7]. It is critical for the organisation to establish credibility by improving management, quality control, developing mechanisms to improve customer satisfaction, and team quality. Furthermore, businesses require assistance not only from customers, but also from the government, media, experts, authorities, and distributors. Each level of support is directly related to cost, sales, and R&D. Because of the changing nature of customer needs and the increased availability of information, businesses must provide personalised and diverse services to their customers. Customer loyalty can be maintained by a company's strategy of being able to adapt quickly to market needs. Customers' purchasing habits are changing dramatically as the market environment changes. Consumers must try a product before deciding whether to purchase it. Companies must investigate methods to enable customers to fully comprehend product performance or service quality in an environment that saves time, effort, and convenience. This customer satisfaction experience can increase customers' trust in the brand and their desire to buy. Even if a firm's brand strategists adhere to the four elements listed above in their strategic planning, they will face numerous challenges. Brand strategy managers must deal with not only the pressures of various competitors, but also the functional demands of brand management. Successful marketers must constantly adapt and seek change to differentiate their brands and create new competitive advantages. It becomes difficult for businesses to assess their brand management capabilities to find a better way forward. The Brand Dynamics Pyramid Model, which will be used in this paper, will be introduced in the following section.

The Brand Dynamics Pyramid Model (Fig. 2) was developed in the mid-1990s by global marketing research and consulting firm Millward Brown [8]. The model depicts the five key stages that customers go through when developing a brand. The first is 'presence,' in which the customer can understand the brand's content but not fully. The second level is' relevance,' which allows customers to start thinking about whether the brand is relevant to their needs. At this level, the customer compares the relationship between the cost and value of the corporation's product. The third level is "performance," which allows customers to begin focusing on the brand's potential. The fourth level is 'advantage,' which provides a clear brand

advantage to the customer and establishes a connection between the brand and the customer. The final level is 'bonding,' which occurs when the customer develops a strong emotional attachment and loyalty to the brand.
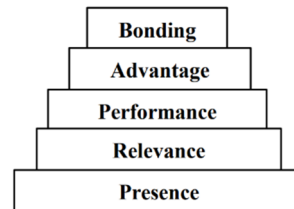
Figure 2. Brand Dynamics Pyramid Model

3. BACKGROUND ON THE HERMES BRAND

Hermès is a French luxury brand that is committed to traditional craftsmanship while also striving for innovation. Hermès' reputation for quality stems from the use of high-quality materials in all of its products, as well as a focus on craftsmanship and refinement of detail. Hermès has been at the pinnacle of classic clothing brands for 180 years, as a representative of French luxury brands, with its exquisite craftsmanship and aristocratic design. While many brands are selling less than they did in previous years as a result of the new crown epidemic, Hermès has resumed sales growth in the 2020 epidemic environment. According to the Hermès Group's financial report for the third quarter of 2020, the brand's sales increased 6.9 percent year on year to €1.8 billion. In 2020, Hermes is ranked 32nd in Forbes' Global Brand Value 100.

4. RESEARCH METHODOLOGY FOR BRAND MANAGEMENT CAPABILITY ASSESSMENT

This paper uses a qualitative research approach to the case study. This method of analysis focuses on the qualitative aspects of analysing and studying the attributes of something, allowing for a detailed description of the issue under consideration. Qualitative research is a common research method for case studies that assists the user in analysing the root causes, rationale, trends, and future predictions of the case problem. In addition, the Brand Dynamics Pyramid Model was used to assess the Alibaba Group's brand management capabilities. This model divides the brand-consumer relationship into five stages: presence, relevance, performance, advantage, and bonding, and the paper analyses Hermes' performance in each of these five stages to arrive at a reasonable conclusion.

5. HERMES' BRAND MANAGEMENT CAPABILITY ASSESSMENT PROCESS

The process by which consumers become acquainted with a brand is known as "awareness-cognition-identification". These three stages correspond to a brand's three major systems: the symbolic system, the benefits system, and the meaning system. Branding is the

process of developing a simple and easily identifiable symbolic system that allows consumers to recall the brand more vividly. The benefits system includes the brand's attributes, functional benefits, and quality performance, allowing consumers to gain brand knowledge. The branding meaning system enables the brand to express a unique connection with consumers' perceptions of life, emotions, and values. The following section will combine the three branding systems with the Brand Dynamics Pyramid Model to assess Hermès' brand management capabilities, working up from the bottom of the pyramid Model (Fig. 3).
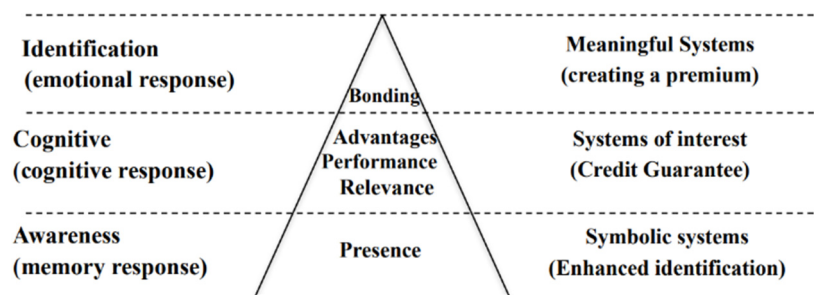
Figure 3. Combining the three systems of branding and the Brand Dynamics Pyramid model

5.1 Presence

Beyond the use-value of the goods, people seek "symbolic and symbolic value in luxury consumption." This is where the brand's symbolic system comes into play. The brand logo improves customer recognition. It not only allows customers to associate brand value with the brand logo when they see it, but it also elicits empathy. Hermès, as a top luxury brand, is easily identifiable even without its logo. This is reflected not only in the logo, but also in the material and colour variations. The carriage motif, the brand name "HERMES," and the initials "H" for the brand name are the three main logos used by Hermès. The carriage motif is used as the brand's logo because the brand began as a manufacturer of fine horse harnesses in its early years, which shows the brand's heritage and refined quality. Products bearing the elements of the brand name "HERMES" and "H" enhance consumers' perception of the brand, which adds to the brand's identity. The following section looks at how Hermès, with enough brand recognition, can meet consumer needs and create brand differentiation through its benefits system.

5.2 Relevance, performance and advantages

Hermès, as a luxury item, has more intangible value than tangible value. Customers purchase luxury goods to meet psychological rather than functional needs. Luxury goods can provide customers with a top-tier brand experience. Hermes stores are dedicated to creating a top brand atmosphere and a sense of customer experience, which is why they set up VIP lounges and private fitting rooms for high-end customers. Hermès is distinct from other luxury brands that use celebrity endorsements, advertising, and fashion shows to raise awareness. The Hermès service is only available to the most affluent customers. Every year in October, each Hermès location hosts a themed party. The brand also invites VIP guests to Paris on a regular basis for horse races, château tours, and luxury winery visits. Hermès has a clear customer targeting strategy that satisfies their psychological needs while fostering customer loyalty.

Despite its growing popularity and customer loyalty, Hermès has not abandoned the beauty and quality of its products. Hermès products emphasise the one-of-a-kindness and refinement of hand-made tailoring. The products of the brand combine fine craftsmanship with practical and long-lasting performance. Hermès' refined design and craftsmanship not only express the consumer's taste, but also responds to changing trends. The Hermès brand's strength is reflected in the fact that it has always been defined as a high-end brand. At the 1867 French Exposition, Hermès formed a partnership with Muhlbacher, a well-known carriage manufacturer at the time, which enhanced the brand's premium positioning. Hermès was the first top luxury brand to achieve overall revenue growth and a low rate of sales decline (table 1) during the epidemic accompanied by such brand strength. Hermès announced key financial figures for the third quarter of the 2020 fiscal year in October 2020, with third-quarter sales increasing 4.2 percent year on year to (€1.8 billion).

TABLE I. Top luxury companies' sales growth rate comparison in 2020

Name of the company	Sales for 2020 (EUR billion)	Sales growth rate for 2020 (EUR billion)
LVMH Moët Hennessy-Louis Vuitton SE	446.51	↓17%
Kering SA	131	↓17.5%
EssilorLuxottica SA	144.3	↓17%
The Estée Lauder Companies Inc.	118.29	↓11%
Hermès International SCA	63.89	↓6%

5.3 Bonding

A brand is more than just a collection of values; it is also a conduit for emotions. The emotions and reactions of consumers to a brand determine its position and value in the marketplace. The Hermès brand has a rich cultural heritage and is the embodiment of spirit, inspiration, and taste. The Hermès Kelly bag is even named after Princess Kelly of Monaco in the 1980s. This adds to the Hermès brand's status symbolism. According to Casado-Molina (2020), one of the strongest motivations for consumers to purchase a product is to use it to demonstrate their social status. Plowman (2017) proposes a theory of conspicuous consumption that is similar to these ideas. According to the theory of conspicuous consumption, customers prefer to buy products that demonstrate their wealth or social status, as this satisfies their spiritual and emotional needs. Hermès, the top French luxury brand, exemplifies the consumer's attitude and lifestyle. It also conveys the noble lifestyle of the Hermès owner, reflecting the distinctive nature and high social status of the Hermès consumer.

According to the above analysis of the five levels of the Brand Dynamics Pyramid Model, Hermès possesses strong brand management capabilities. However, Hermes' customers are getting younger. Hermès' implementation of online marketing is an appropriate strategy. The section that follows will go over how Hermes has used online marketing.

6. CONCLUSION

Hermes as a luxury brand does not usually adopt the internet marketing approach of mass brands because of the need to maintain brand differentiation. However, with the brand's trend toward younger consumers and the impact of the epidemic. Hermès had to think about how to market itself digitally. Although Hermes' brand is only positioned for high-end consumers, the brand's lack of communication will not encourage high-end consumers to purchase products. As a result, when conducting branded fashion shows, the brand could promote itself through webcasting and celebrity endorsement. Traditional high-end goods have a lengthy sales cycle. Hermès can shorten the sales cycle by allowing customers to see a product they like and order it remotely during the live webcast fashion show.

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